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March 28, 2012

The Honorable Julius Genachowski
Chairman, Federal Communications Commission
445 12th Street SW
Washington, DC 20554

Re: *Ex Parte* Submission
WC Docket No. 10-90; GN Docket No. 09-51; WC Docket No. 07-135; WC Docket No. 05-337; CC Docket No. 01-92; CC Docket No. 96-45; WC Docket No. 03-109; WT Docket No. 10-208

Dear Chairman Genachowski:

ADTRAN, Inc. ("ADTRAN") is writing in support of one particular issue in the petitions for reconsideration filed in USF Reform proceeding[1] by the United States Telecom Association ("USTelecom") and by Frontier Communications Corp. and Windstream Communications, Inc. ("Frontier/Windstream").[2] Both petitions for reconsideration request that the Commission modify its Connect America Fund Phase 1 deployment requirement of "one unserved location per $775" of CAF Phase I funding.[3] ADTRAN agrees with the petitioners that this particular requirement needs to be changed so that *all* carriers are able to use their full allotment of CAF Phase 1 funding to deploy robust broadband service in areas that otherwise would not receive this service.

ADTRAN, founded in 1986 and headquartered in Huntsville, Alabama, is a leading global manufacturer of networking and communications equipment, with an innovative portfolio of more than 1,700 solutions for use in the last mile of today's telecommunications networks. ADTRAN's equipment is deployed by some of the world's largest service providers, as well as distributed enterprises and small and medium businesses. Importantly for purposes of this proceeding, ADTRAN solutions enable voice, data, video and Internet communications across copper, fiber and wireless network infrastructures. ADTRAN thus brings an expansive perspective to this issue. As recognized in the comprehensive reform *Order*, ADTRAN has also been an active participant at all stages of this proceeding.[4]

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1 *Connect America Fund* et al., Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663 (Nov. 18, 2011) ("*Order and Further NPRM*").

2 77 Fed. Reg. 3635 (Jan 25, 2012).

3 USTelecom Petition at pp. 3-5; Frontier/Windstream Petition at pp. 12-20.

4 Indeed, the Commission relied extensively on ADTRAN's input in the *Order and Further NPRM*, at nn. 136, 144, 145, 148, 180 and 182.

The current requirement of "one unserved location per $775" of CAH Phase 1 funding would unnecessarily constrain the carriers' ability to upgrade service to current customers. Investment in newer-technology DSLAMs can greatly improve the current "high-speed" DSL that customers now enjoy.[5] The Commission, in addition, should ensure that carriers are able to spend CAF Phase 1 funding on deployment of "second mile" fiber. Deployment of "second-mile" fiber to support enhanced DSLAMs will be essential in order to be able to carry the increasingly vast amounts of data that customers generate once they enjoy true broadband connectivity. Equally important, such deployment of "second-mile" fiber capacity has the added benefit of supporting wireless broadband networks, which will require high-capacity backhaul connections from their cell towers as 4G services are deployed.

The $775 per unserved location investment figure adopted by the Commission should not prevent carriers from being able to spend money on "second mile" fiber initiatives. The $775 per unserved location figure, indeed, is largely arbitrary and not an adequate representation of costs in many areas requiring support. The *Order and Further NPRM* itself acknowledges the numerous defects with $775 figure selected. The model used to derive this number was not designed for analyzing broadband deployment.[6] ADTRAN has elsewhere detailed the flaws in the OBI model that the Commission used to "confirm" the reasonableness of the $775 figure.[7] In selecting the $775 figure, the Commission also relied on the BIP program investments, but recognized that the actual costs varied widely.[8]

The danger in selecting the "average" cost of $775 is that it will rarely reflect the actual cost in any particular situation, given the wide variation in already-deployed plant, density and terrain that affect investment costs. Where the actual costs for the new deployment are lower than $775 per location, the carrier will experience a "windfall." And where $775 per location is insufficient to make a viable business case for deployment, the carrier will decline the funds and broadband service to that location will at best be deferred to CAF Phase 2 (assuming that the Commission adopts a sufficiently accurate and granular model in CAF Phase 2 to provide an appropriate level of support – if not, then fixed broadband service will effectively be denied).

Finally, ADTRAN is also troubled by the "signals" sent by the selection of the $775 figure, insofar as the "windfalls" will likely "reward" carriers that had not even bothered to provide broadband service to the "low hanging fruit", *i.e.*, the low cost customer locations. And while offering the "fatted calf to the prodigal son" may be a fine biblical parable, it is not a good economic model for use of limited CAF funds. The Commission appears to believe these various flaws can be excused because this is only an interim, short-term

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[5] ADTRAN has previously demonstrated the high speeds that can be "squeezed out of" the last-mile copper that has already been deployed through newer DSL technologies such as vectoring and pair bonding. One company, Ikanos, uses NodeScale vectoring to achieve speeds of 100 mbps currently, and anticipates speeds over DSL of 800 Mbps. *See*, http://gigaom.com/2010/10/25/100-mbps-dsl/ .

[6] *Order and Further NPRM* at n. 220.

[7] *See, e.g.*, Comments of ADTRAN in the Connect America Fund proceeding, filed April 18, 2011, at pp. 37-41.

[8] *Order and Further NPRM* at ¶ 140 ("We note that our analysis indicated that the per-location cost for deployments funded through the BIP program varied considerably").

fix: "the $775 per unserved location figure represents a reasonable estimate of an interim performance obligation for this one-time support."[9] As the petitioners demonstrate, we should and can do better.

For all of these reasons, ADTRAN supports the petitions for reconsideration filed by USTelecom and Frontier/Windstream.

Sincerely,

/s/
Tom Stanton
Chairman and Chief Executive Officer

9 *Order and Further NPRM* at ¶ 144.